FACT SHEET
June 2012

Phase-Out of Federal Unemployment Insurance

As of June 2012, 24 states will no longer qualify for a portion of benefits under the federal Emergency Unemployment Compensation (EUC) program, bringing a premature end to unemployment insurance (UI) payments for those workers who will not qualify for the next tier of EUC benefits. Congress passed legislation in February to scale back the EUC program by imposing stricter unemployment rate triggers that take effect in June and by reducing the overall number of benefit weeks beginning in September (**Table 1**). In addition to the loss of EUC benefits, by the end of August, the federal-state Extended Benefits (EB) program will have drawn to a close in 35 states as a result of falling unemployment rates, effectively ending the program and benefit payments for over 500,000 unemployed workers (**Table 2**).

Table 1.
Maximum Weeks of Unemployment Insurance Benefits: Current Versus Prior Law

	Prior Law	February Law (Required unemployment rate in parentheses)	
		June to August	September to December
Regular State Benefits [1]	26	26	26
Emergency Unemployment Compensation (EUC)			
Tier 1	20	20	14
Tier 2	14	14 (6.0%)	14 (6.0%)
Tier 3	13 (6.0%)	13 (7.0%)	9 (7.0%)
Tier 4	6 (8.5%)	6 (9.0%)	10 (9.0%)
Extended Benefits (EB) [2]	13 (6.5%)/20 (8.0%)	---	---
Maximum Number of Weeks	**99**	**79**	**73**

Source: *Middle Class Tax Relief and Job Creation Act of 2012*. H.R. 3630. 112th Cong., 2nd sess.
[1] Arkansas, Georgia, Florida, Illinois, Michigan, Missouri, and South Carolina reduced state UI weeks below the standard 26.
[2] NELP projects that no states will qualify for EB beyond August as a result of declining unemployment rates.

June Changes: Unemployment Rate Requirements Tightened

The February UI legislation imposed a new unemployment rate requirement for Tier 2 EUC benefits and increased the unemployment rate necessary to qualify for Tiers 3 and 4 (**Table 1**). The following 24 states (**Table 3**) will immediately lose a tier of EUC benefits in June, while many other states will fail to meet the new eligibility requirements in the coming months if unemployment rates continue to decline.

- **Tier 4:** 5 states that previously qualified for six weeks of Tier 4 will not meet the new 9 percent unemployment rate requirement (Arizona, Illinois, Kentucky, Michigan, and Oregon). Workers who lost their jobs in February 2011 and later will be harmed by the elimination of Tier 4 in these states.
- **Tier 3:** 8 states that previously qualified for 13 weeks of Tier 3 will not meet the new 7 percent

unemployment rate requirement (Delaware, Hawaii, Kansas, Maryland, Massachusetts, Montana, West Virginia, and Wisconsin). Workers who lost their jobs in May 2011 and later will be harmed by the elimination of Tier 3 in these states.

- **Tier 2:** 11 states will not meet the 6 percent unemployment rate threshold necessary to qualify for 14 weeks of Tier 2 (Iowa, Minnesota, Nebraska, New Hampshire, North Dakota, Oklahoma, South Dakota, Utah, Vermont, Virginia, and Wyoming). Workers who lost their jobs in August 2011 and later will be harmed by the elimination of Tier 2 in these states.

Unemployed workers already within a tier that is ending will be able to finish out their entitlement, but no new claimants will be able to enter the tier once it is gone. For example, in the 24 states that will no longer meet the new EUC unemployment rate requirements, the week ending June 23rd will be the final week in which claimants can exhaust benefits in their current tier and still establish eligibility for a subsequent tier that is ending. After that date, claimants exhausting benefits in their current tier will be unable to move onto the next tier.

Because the new unemployment rate requirements will cause a number of states to end Tier 2 benefits, the minimum number of state and federal benefit weeks will fall from 60 weeks in May to 46 weeks in June. The February legislation will not directly affect the maximum number of EUC weeks available until September, but the winding down of the EB program will reduce today's effective maximum from 99 to 79 weeks.

September Changes: Maximum Weeks of Benefits Reduced

By the end of June, the Extended Benefits program will have ended in all but four states, reducing the maximum number of benefit weeks from 99 to 79. Starting in September, changes made to the EUC program in the February legislation will further reduce the maximum number of available weeks. Specifically, benefits available in Tier 1 will decline from 20 weeks to 14 weeks and in Tier 3, from 13 weeks to nine weeks (**Table 1**). Tier 4 benefits will increase from six weeks to ten weeks, but based on current unemployment rates, only six states will qualify, and this number is likely to be smaller by September if unemployment rates continue to decline. Once the September changes are in effect, the maximum number of benefit weeks available will fall to 73 weeks and the minimum will fall to 40 weeks.

December Changes: Hard Cutoff to end Federal UI Benefits

In contrast to previous reauthorizations of the EUC program, the February legislation did not allow for federal UI benefits to phase out gradually. Under the current law, all EUC payments will end abruptly for all claimants on December 29, 2012. This hard cutoff also means that unemployed workers who lose their jobs in July 2012 or later will only be eligible for regular state benefits (26 weeks in most states) and will not receive any federal UI payments.

Unemployment is expected to remain at around 8 percent through the end of the year. Congress has never cut back on federally-funded unemployment insurance when high unemployment has persisted for so long. The highest unemployment rate when federal benefits were cut by Congress was 7.2 percent, in 1985.

Today, there are nearly three million unemployed workers receiving UI payments through the EUC and EB programs. As the EB program continues to wind down and the new EUC requirements take effect, the number of participants will begin to decline and eventually fall to zero on December 29th, if EUC is allowed to sunset. For the long-term unemployed, this decline in and eventual zeroing out of participation under the federal UI programs does not mean their unemployment has ended or its severity has been mitigated: It simply means they no longer have access to federal UI assistance to meet their basic needs or engage in meaningful reemployment activities.

Table 2.
Estimated Number of Workers Losing Extended Benefits (EB) by Month of Last Payable Week in 2012

	3-Month Average Unemployment Rate	UI Weeks: Beginning of Month in which EB Ends	Number of Weeks Lost	EB Recipients [1]
June				**69,900**
District of Columbia	9.7	99	20	3,400
New York	8.5	93	20	64,700
West Virginia	6.9	86	13	1,800
July				**45,300**
Nevada	12.0	99	20	6,500
New Jersey	9.1	99	20	36,500
Rhode Island	11.1	99	20	2,300
August				**1,300**
Idaho [2]	7.9	99	20	1,300
			Total (June to Aug.):	**116,500**
May				**246,900**
California	10.9	99	20	94,400
North Carolina	9.7	99	20	22,500
Florida [3]	9.0	99	20	29,600
Illinois [3]	8.9	99	20	27,700
Colorado	7.8	86	13	11,600
Connecticut	7.7	86	13	14,000
Pennsylvania	7.5	86	13	15,600
Texas	7.0	86	13	31,500
April				**131,600**
Georgia [3]	9.0	99	20	16,600
South Carolina [3]	9.0	99	20	7,100
Kentucky	8.5	99	20	7,800
Oregon	8.6	99	20	8,400
Indiana	8.2	99	26	9,600
Washington	8.2	99	26	10,800
Tennessee	7.9	99	26	10,100
Ohio	7.5	99	26	18,100
Missouri [3]	7.4	93	20	9,500
Alabama	7.4	99	26	6,500
Delaware	6.9	86	13	1,000
Wisconsin	6.8	86	13	7,300
Massachusetts	6.6	86	13	10,600
Maryland	6.6	86	13	8,200
February and January				**32,300**
Michigan [3]	8.6	99	20	28,700
Maine	7.2	86	13	1,200
New Mexico	7.1	86	13	2,400
			Total (through May):	**410,800**

[1] Claimants in states ending EB from May to August equal the average weekly number of EB weeks claimed in April 2012, as reported by states to the U.S. Department of Labor, Employment and Training Administration. Massachusetts has not yet reported these date for April so we rely on March figures. Persons impacted in Michigan and in Maine (in February) equal the average weekly weeks claimed in January 2012; in New Mexico (in January), average weekly weeks claimed in December 2011. EB payments also ended over this period in Kansas (affecting 2,000 claimants), Minnesota (6,800 claimants), and Alaska (3,500 claimants) because their unemployment rates fell below the required minimum thresholds.

[2] Idaho's 3-month average unemployment rate fell below 8.0 percent in May, meaning that the maximum number of weeks of EB will fall to 13 beginning June 10, 2012.

[3] These states reduced the maximum number of regular state UI weeks from 26. These changes affect new regular state UI claimants, as of the effective dates of the cuts; the first was Missouri, as of April 13. Persons losing EB received up to 26 regular weeks before these cuts took effect (or will take effect, as in Georgia).

Table 3
Number of Weeks of State and Federal Unemployment Insurance

State	3-Month Average Unemployment Rate [1]	End of May [2]	End of June	Weeks Lost
Tier 4 Eliminated				
Arizona	8.5	79	73	6
Illinois	8.9	79	73	6
Kentucky	8.5	79	73	6
Michigan	8.6	79	73	6
Oregon	8.6	79	73	6
Tier 3 Eliminated				
Delaware	6.9	73	60	13
Hawaii	6.4	73	60	13
Kansas	6.1	73	60	13
Maryland	6.6	73	60	13
Massachusetts	6.6	73	60	13
Montana	6.2	73	60	13
West Virginia [3]	6.9	86	60	26
Wisconsin	6.8	73	60	13
Tier 2 Eliminated				
Iowa	5.2	60	46	14
Minnesota	5.7	60	46	14
Nebraska	4.0	60	46	14
New Hampshire	5.1	60	46	14
North Dakota	3.0	60	46	14
Oklahoma	5.5	60	46	14
South Dakota	4.3	60	46	14
Utah	5.8	60	46	14
Vermont	4.8	60	46	14
Virginia	5.7	60	46	14
Wyoming	5.3	60	46	14

Source: U.S. Department of Labor, Employment and Training Administration.

[1] The average unemployment rate covers February to April 2012.
[2] Certain Emergency Unemployment Compensation Tier 4 claimants in Arizona, Illinois, Kentucky, Michigan, and Oregon will receive up to 16 weeks of benefits, rather than six, due to temporary provisions under the Middle Class Tax Relief and Job Creation Act that expired at the end of May. Because the additional ten weeks apply to so few claimants, the table reflects only six weeks of Tier 4 benefits.
[3] West Virginia will lose 13 weeks of Tier 3 and 13 weeks of Extended Benefits in June.

Appendix: Explanation of Extended Benefits and Emergency Unemployment Compensation Programs

1. What is the Extended Benefits (EB) program, and how did it change under the Recovery Act?

The Extended Benefits program provides 13 to 20 weeks of extended unemployment benefits to high unemployment states. The program, some form of which is permanently available in all states, historically has been paid for with 50 percent federal funding and the rest through state unemployment insurance funds. Under the American Recovery and Reinvestment Act, the state's share of costs associated with the EB program was removed, making the program fully funded with federal dollars. Currently, the program will remain under federal funding through December 29, 2012.

2. How does a state qualify as a "high unemployment" state and become eligible to distribute EB benefits?

In order to distribute EB benefits, states must (1) meet certain thresholds, or "triggers," that indicate high levels of unemployment, and (2) satisfy a "look-back" requirement (explained in Question 3, below). EB triggers use two kinds of unemployment rates to decide whether unemployment has reached a level within a state high enough to justify extending benefits. In total, there are three possible kinds of triggers for the EB program, explained below.

Total Unemployment Rate Trigger: The least restrictive formula that allows states to qualify for EB is called the "Total Unemployment Rate" (TUR) trigger. It is based on state's unemployment rate—the number of all unemployed compared to the labor force—which is the standard rate published by the Bureau of Labor Statistics every month. For the purposes of an EB trigger, state unemployment rates for the most recent three months are averaged together.

- States may elect to adopt legislation which will allow them to trigger on to EB based on TUR thresholds. A state will offer 13 weeks of EB if its three-month average total unemployment rate is 6.5 percent or higher. At the same time, the TUR must be 110 percent of the rate for the corresponding three-month period in at least one of the previous three years. A state may distribute 20 weeks of EB benefits if its three-month TUR is at least 8.0 percent or higher (while still remaining 110 percent of the same period during at least one of the prior three years).

Insured Unemployment Rate Trigger: The most restrictive formula that determines whether states qualify for EB is called the "Insured Unemployment Rate" (IUR), which is the number of those receiving regular state UI benefits compared to the total number of unemployed workers (those potentially eligible for UI benefits if they lost their jobs) over the most recent 13-week period. The higher this ratio is—the higher the portion of people who are out of work, receiving UI—the more severe joblessness is in a state. There are two kinds of IUR triggers, one which is already in place for all states, and one which is optional.

- **Mandatory IUR**: In order to trigger on EB, a state's IUR must be at least 5 percent or higher. At the same time, it must be at least 120 percent of the IUR for the same 13-week period during each of the prior three years; this indicates that unemployment is not only severe but also increasing. Under this trigger, all states must pay up to 13 weeks of EB.

- **Optional IUR**: States may elect to adopt legislation that allows them to distribute 13 weeks of EB when the IUR is at least 6 percent, regardless of the experience in the previous years.

3. Why are Extended Benefits phasing out in 2012?

EB triggers are permanently structured around two-year look-back provisions: typically, states compare an IUR or TUR to the same periods during the past two years, as opposed to three. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (P.L. 111-312) temporarily changed the look back to three years, as unemployment indicators in most states have been consistently high for the past two years and would have resulted in many state being unable to meet the 120 percent IUR or 110 percent TUR conditions.

Thirty-eight states enacted legislation to adopt the three-year look-back authorized by the federal legislation. The three-year look-back enabled most of these states to continue paying EB into 2012. As of June 2012, most states that adopted the three-year look-back still meet the basic TUR requirement (6.5 percent). However, by the end of June 2012, only four states will meet the look-back requirement, meaning that EB has effectively ended. Congress would have to implement a four-year look-back or eliminate the look-back requirement for more high-unemployment states to continue paying EB going forward.

4. What is the Emergency Unemployment Compensation (EUC) program?

State unemployment insurance (UI) programs typically offer up to 26 weeks of benefits to workers who lose their jobs involuntarily. Historically, whenever the national unemployment rate has increased substantially, Congress has enacted a program of federally funded benefits that extends the number of weeks available to workers who have not found new employment. There have been eight such federal extension programs since 1958, the latest of which is the EUC program which was first initiated in 2008.

The EUC program began in July 2008 when the national unemployment rate was 5.8 percent. The program originally provided 13 weeks of additional federal UI benefits, but as the recession deepened and the national unemployment rate rose dramatically, a series of legislative enactments in 2008 and 2009 (including the Recovery Act) increased the maximum number of weeks of EUC benefits to 53 weeks. The program is divided into four tiers, which are available to states based on their unemployment rates.

In February 2012, Congress passed the Middle Class Tax Relief and Job Creation Act of 2012 (P.L. 112-96). Prior to this law, there were no unemployment rate thresholds for Tier 1 (20 weeks) and Tier 2 (14 weeks). The legislation added an unemployment rate threshold for Tier 2 (6.0 percent) and increased the required unemployment rates for Tiers 3 and 4. And, starting in September, the law will change the number of weeks available under Tiers 1, 3, and 4. Table 1 illustrates the number of weeks available and the required unemployment rates under the February legislation and under prior law.